



Germanna Foundation

Financial Statements

December 31, 2019 and 2018



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GERMANNA FOUNDATION

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustees
Germanna Foundation
Locust Grove, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Germanna Foundation, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Germanna Foundation as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

A handwritten signature in black ink, appearing to read "Keita", with a long, sweeping horizontal stroke extending to the right.

June 19, 2020
Glen Allen, Virginia

GERMANNA FOUNDATION

Statements of Financial Position December 31, 2019 and 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 921,143	\$ 896,520
Inventory	26,144	28,548
Prepaid expenses	9,168	8,274
Other current assets	40	-
Total current assets	<u>956,495</u>	<u>933,342</u>
Investments (Notes 3 and 7)	<u>181,970</u>	<u>117,007</u>
Property and equipment:		
Property and equipment, net of accumulated depreciation (Note 5)	2,071,603	1,642,085
Historical properties	<u>237,047</u>	<u>237,047</u>
Total property and equipment, net	<u>2,308,650</u>	<u>1,879,132</u>
Total assets	<u>\$ 3,447,115</u>	<u>\$ 2,929,481</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 620	\$ 62,690
Accrued expenses and other liabilities	11,260	1,819
Deferred revenue (Note 2)	<u>16,308</u>	<u>21,278</u>
Total current liabilities	28,188	85,787
Deferred revenue (Note 2)	<u>434</u>	<u>540</u>
Total liabilities	<u>28,622</u>	<u>86,327</u>
Net assets:		
Without donor restrictions	2,903,223	2,071,835
With donor restrictions (Note 8)	<u>515,270</u>	<u>771,319</u>
Total net assets	<u>3,418,493</u>	<u>2,843,154</u>
Total liabilities and net assets	<u>\$ 3,447,115</u>	<u>\$ 2,929,481</u>

See accompanying notes to financial statements.

GERMANNA FOUNDATION

Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Board Designated	Total		
Support and revenue:					
Contributions	\$ 350,248	\$ -	\$ 350,248	\$ 734,677	\$ 1,084,925
Annual conference and reunion	35,460	-	35,460	-	35,460
Membership dues	31,054	-	31,054	-	31,054
Publications and merchandise sales, net of cost of good sold (\$3,438)	8,468	-	8,468	-	8,468
Germany trip	62,558	-	62,558	-	62,558
Investment returns (Notes 3 and 7)	-	19,147	19,147	1,983	21,130
Other	807	-	807	-	807
Total support and revenue	488,595	19,147	507,742	736,660	1,244,402
Net assets released from restriction	992,709	-	992,709	(992,709)	-
Net assets transferred	(6,833)	6,833	-	-	-
Expenditures and losses:					
Program services	451,345	-	451,345	-	451,345
Supporting services:					
Management and general	177,835	-	177,835	-	177,835
Fundraising	39,883	-	39,883	-	39,883
Total expenditures	669,063	-	669,063	-	669,063
Change in net assets	805,408	25,980	831,388	(256,049)	575,339
Net assets, beginning of year	1,954,828	117,007	2,071,835	771,319	2,843,154
Net assets, end of year	\$ 2,760,236	\$ 142,987	\$ 2,903,223	\$ 515,270	\$ 3,418,493

See accompanying notes to financial statements.

GERMANNA FOUNDATION

Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Board Designated	Total		
Support and revenue:					
Contributions	\$ 325,052	\$ -	\$ 325,052	\$ 640,570	\$ 965,622
Annual conference and reunion	35,759	-	35,759	-	35,759
Membership dues	26,705	-	26,705	-	26,705
Publications and merchandise sales, net of cost of good sold (\$4,846)	9,391	-	9,391	-	9,391
Germany trip	92,808	-	92,808	-	92,808
Other	869	-	869	-	869
Total support and revenue	490,584	-	490,584	640,570	1,131,154
Net assets released from restriction	112,048	-	112,048	(112,048)	-
Expenditures and losses:					
Program services	389,122	-	389,122	-	389,122
Supporting services:					
Management and general	159,815	-	159,815	-	159,815
Fundraising	29,530	-	29,530	-	29,530
Total expenditures	578,467	-	578,467	-	578,467
Loss from bad pledge receivables	165	-	165	-	165
Loss from investments (Notes 3 and 7)	-	7,013	7,013	-	7,013
Total expenditures and losses	578,632	7,013	585,645	-	585,645
Change in net assets	24,000	(7,013)	16,987	528,522	545,509
Net assets, beginning of year	1,930,828	124,020	2,054,848	242,797	2,297,645
Net assets, end of year	\$ 1,954,828	\$ 117,007	\$ 2,071,835	\$ 771,319	\$ 2,843,154

See accompanying notes to financial statements.

GERMANNA FOUNDATION

Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services					Supporting Services		Total
	Visitor Center	Hitt Farm	Salubria	Fort Germanna	Hitt Center	Management and General	Fundraising	
Salaries	\$ 75,661	\$ 5,161	\$ 39,892	\$ 18,491	\$ 43,088	\$ 38,133	\$ 23,677	\$ 244,103
Payroll taxes	6,943	424	2,161	2,769	3,667	3,214	1,960	21,138
Annual conference and reunion	21,432	-	-	-	-	-	-	21,432
Germany trip	53,581	-	-	-	-	-	-	53,581
Summer archaeology program	-	-	-	41,563	16,062	-	-	57,625
Professional fees	-	-	-	-	-	66,592	-	66,592
Printing and publications	28,970	-	-	-	-	-	5,536	34,506
Ground and maintenance	5,716	9,081	9,091	1,190	753	-	-	25,831
Insurance	-	-	-	-	-	11,218	-	11,218
Supplies	-	-	-	-	-	7,889	531	8,420
Website and internet	9,997	-	-	-	-	1,839	-	11,836
Occupancy	4,362	-	1,619	1,214	1,971	1,863	-	11,029
Telephone	-	-	-	-	-	2,679	670	3,348
Postage	4,350	-	-	-	-	-	211	4,561
Travel	-	-	-	-	-	6,336	-	6,336
Depreciation	27,787	-	-	-	14,347	12,917	-	55,051
Other	-	-	-	-	-	25,156	7,299	32,454
Total expenditures	\$ 238,800	\$ 14,667	\$ 52,763	\$ 65,227	\$ 79,888	\$ 177,835	\$ 39,883	\$ 669,063

See accompanying notes to financial statements.

GERMANNA FOUNDATION

Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services					Supporting Services		Total
	Visitor Center	Hitt Farm	Salubria	Fort Germanna	Hitt Center	Management and General	Fundraising	
Salaries	\$ 65,999	\$ 939	\$ 4,275	\$ 52,196	\$ -	\$ 25,538	\$ 4,678	\$ 153,626
Payroll taxes	6,356	82	374	4,523	-	2,418	410	14,162
Annual conference and reunion	24,762	-	-	-	-	-	-	24,762
Germany trip	70,614	-	-	-	-	-	-	70,614
Summer archaeology program	-	-	-	53,626	-	-	-	53,626
Professional fees	-	-	-	-	-	65,154	-	65,154
Printing and publications	14,270	-	-	-	-	-	10,134	24,405
Ground and maintenance	3,401	9,254	11,587	4,696	-	-	-	28,938
Insurance	-	-	-	-	-	9,205	-	9,205
Supplies	-	-	-	-	-	6,690	476	7,166
Website and internet	15,481	-	-	-	-	2,138	-	17,619
Occupancy	4,771	-	1,529	7,083	-	1,016	-	14,399
Telephone	-	-	-	-	-	2,317	257	2,573
Postage	3,869	-	-	-	-	-	1,098	4,967
Travel	-	-	-	-	-	7,229	-	7,229
Wayside panel	1,856	-	-	-	-	-	-	1,856
Depreciation	27,576	-	-	-	-	12,227	-	39,803
Other	-	-	-	-	-	25,884	12,478	38,361
Total expenditures	\$ 238,956	\$ 10,276	\$ 17,765	\$ 122,125	\$ -	\$ 159,815	\$ 29,530	\$ 578,467

See accompanying notes to financial statements.

GERMANNA FOUNDATION

Statements of Cash Flows Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 575,339	\$ 545,509
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	55,051	39,803
Investment returns reinvested	(4,857)	(1,635)
Net realized and unrealized (gain) loss on investments	(16,273)	8,649
Loss from bad pledge receivables	-	165
Change in assets and liabilities:		
Pledge receivables	-	8,093
Inventory	2,404	4,687
Prepaid expenses	(894)	(238)
Other current assets	(40)	-
Accounts payable	(62,070)	49,619
Accrued expenses	9,441	1,788
Deferred revenue	<u>(5,076)</u>	<u>(2,541)</u>
Net cash provided by operating activities	<u>553,025</u>	<u>653,899</u>
Cash flows from investing activities:		
Purchase of property and equipment	(484,569)	(354,286)
Purchase of investments	<u>(43,833)</u>	<u>-</u>
Net cash used in investing activities	<u>(528,402)</u>	<u>(354,286)</u>
Net change in cash and cash equivalents	24,623	299,613
Cash and cash equivalents, beginning of year	<u>896,520</u>	<u>596,907</u>
Cash and cash equivalents, end of year	<u>\$ 921,143</u>	<u>\$ 896,520</u>

See accompanying notes to financial statements.

GERMANNA FOUNDATION

Notes to Financial Statements

1. **Organization and Mission:**

The Memorial Foundation of the Germanna Colonies in Virginia, Inc. (the Germanna Foundation) is a Virginia non-profit organization incorporated on March 14, 1956.

The name Germanna, selected by Lieutenant Governor Alexander Spotswood (Spotswood), reflected both the German immigrants who sailed across the Atlantic Ocean to the Colony of Virginia and Anne, Queen of Great Britain, France and Ireland, who was in power at the time of the founding of Germanna in 1714.

Germanna was a German-speaking frontier settlement, comprising principally of two groups of settlers, or “colonies”: the first colony of 42 men, women, and children from villages near Siegen, in modern-day North Rhine Westphalia, Germany, arrived in Virginia in April 1714; the second colony of 20 families largely from the villages in the Kraichgau area of modern-day Baden-Wuerttemberg, Germany settled at Germanna in 1717/18, but there were other German families who joined the first two colonies at later dates. At the time, Germanna was the westernmost frontier settlement in the British Empire.

The mission of the Germanna Foundation is to tell America’s story of liberty through the frontier experience of her settlers and descendants using archaeological, historical, and genealogical research and interpretation.

Land Conservation

Since 1956, the Germanna Foundation has owned and managed about 176 acres of riparian deciduous forest called Siegen Forest located between the Rapidan River and Virginia Route 3 (Germanna Highway) in Orange County, Virginia. The Germanna Foundation developed hiking trails on the land with the assistance of skilled professionals and dedicated volunteers, including area Boy Scouts. The Germanna Foundation is committed to wise stewardship of this historic area by working with the Commonwealth of Virginia and private-sector conservation groups, as well as making the educational value of this historic site available to the public.

The Germanna Foundation’s Fort Germanna Visitor Center (Visitor Center) houses the Germanna museum and the Evelyn C. Martin Genealogical Research Library; the Hitt Archaeology Center (dedicated in 2019) and Memorial Garden is located on the Siegen Forest campus, adjacent to the Locust Grove campus of Germanna Community College, whose 100 acre site was donated by the Germanna Foundation to the Commonwealth of Virginia in 1969 for the purpose of founding the college.

GERMANNA FOUNDATION

Notes to Financial Statements, Continued

1. Organization and Mission, Continued:

Historic Preservation and Archaeological Investigation

The Germanna Foundation's Archaeology program has partnered with Dr. Bernard Means (Faculty Member of the Anthropology Department and School of World Studies at Virginia Commonwealth University), since 2016. The Germanna Foundation has hosted the Virginia Commonwealth University (VCU) Field School since that start. The Field School is a six-week hands-on, experiential learning opportunity for students interested in archaeology. The students are introduced to data collection methods on a real world, working excavation site. In the practice of professional and academic archaeology, Field Schools are seen as a "gateway" experience to entering the profession. The partnership between the Germanna Foundation and VCU provides a unique experience for Virginia students on an important Virginia Site.

In 2019, The Germanna Foundation conducted a systematic shovel-test survey of the entirety of its 19.5 acres tract at Salubria in Culpeper County. This was done to provide a baseline understanding of the cultural resources associated with the 1757 house and its immediate surrounds. The property was transferred to the Germanna Foundation in 2000, with a protective conservation easement with the Virginia Department of Historic Resources (DHR) as the easement grantee.

Before 2019, no systematic survey of this historic property had been undertaken. Three students from VCU Field School together with the Germanna Foundation's three summer Interns, conducted the survey under the Direction of Dr. Eric Larsen (Director of Archaeology for the Germanna Foundation), Dr. Bernard Means (VCU) and Alison Hodges (Summer Assistant Director for the Germanna Foundation). The findings and resulting maps provide the Germanna Foundation with a planning document that will aid in decisions of future use and development of the historic site.

In 2018 and 2019, the Germanna Foundation constructed the Hitt Archaeology Center, which was placed into service in May 2019 as a headquarters for the Germanna Foundation archaeology program. The Hitt Archaeology Center gives the Germanna Foundation a place to store, study, clean and evaluate artifacts found on Germanna properties. This 3,000 square foot facility has space for long-term storage of artifacts, a lab for the cataloging and study of those artifacts as well as facilities for cleaning and preserving items found in the field. The storage provides a controlled environment ensuring the preservation of artifacts stored.

The Hitt Archaeology Center is a place where scholars can visit and study artifacts from the Germanna Foundation collection, including artifacts recovered from Alexander Spotswood's Enchanted Castle, and the Fort Germanna, Salubria and the Hitt Farm sites.

GERMANNA FOUNDATION

Notes to Financial Statements, Continued

1. Organization and Mission, Continued:

Historic Preservation and Archaeological Investigation, Continued

In September 2017, the Germanna Foundation acquired a 7.4 acre property in Marshall Magisterial District, Fauquier County, Virginia. The property is adjacent to the 4.2 acre property which contains the historic Peter Hitt cemetery site. These two properties are referred to by Germanna Foundation as the Hitt Farm. The Germanna Foundation maintains this property with the goal of caring for it and making it available to researchers, conservationists, and descendants.

In October 2013, the Germanna Foundation acquired a 62.2 acre tract of land situated in the Gordon District of Orange County, Virginia from the Commonwealth of Virginia, which had been managed by the University of Mary Washington (UMW). This land contains the archaeological site of Fort Germanna and Alexander Spotswood's "Enchanted Castle." This property is protected by a conservation easement donated by the Germanna Foundation to DHR.

In February 2007, the Germanna Foundation acquired a 4.2 acre property which contains the historic Peter Hitt cemetery site located in Marshall Magisterial District, Fauquier County, Virginia. The Germanna Foundation maintains this historic property with the goal of caring for it and making it available to researchers, conservationists, and descendants.

In October 2000, the Germanna Foundation acquired Salubria, an 18th century Georgian style mansion with 19.6 acres of wooded grounds and a terraced boxwood garden located in Culpeper County, Virginia in order to preserve this historic property and legacy. This property is also protected by a conservation easement held by DHR.

Education

Education is central to the Germanna Foundation mission. The Visitor Center holds a large collection of books and genealogy records, as well as interpretive exhibits that tell the Germanna history.

Since its formation in 1956, the Germanna Foundation has published 21 books that cover a wide range of historic topics relating to Germanna, as well as genealogies of many of the families.

Since 1957, the Germanna Foundation has held an annual July conference and reunion, continuing a tradition started in the 1940's by its unincorporated predecessor. The program includes guided tours of historic sites in the Virginia counties of Orange, Culpeper, Fauquier, and Madison that are associated with the Germanna families. In addition, during the annual conference local and nationally-recognized speakers present talks on topics of German-American interest, genealogy, colonial history, archaeology, and historic preservation.

GERMANNA FOUNDATION

Notes to Financial Statements, Continued

1. Organization and Mission, Continued:

Education, Continued

The Germanna Foundation publishes a professionally-designed newsletter four times a year that reflects information about Germanna Foundation activities and programs, informative articles about Germanna-related historic sites in Germany and the United States.

The Germanna Foundation operates and maintains a website, www.germannafoundation.org, that contains historical information, news, officer, trustee and staff profiles, program promotion, historical articles and a store where all publications and related items can be ordered online.

The Germanna Foundation also offers educational opportunities to college and graduate students through supervised summer internships that provide hands-on experience in research, public relations, and the administration of a historic site and organization.

Cultivation of Transatlantic Relations

The development of strong ties with ancestral villages of Germanna colonists and supporters of the Germanna Foundation living in Germany has been an important part of the Germanna Foundation's mission since its inception. Ties with researchers and genealogists in Siegen, Germany remain strong to the present. Official delegations from Germany have visited the Germanna Foundation over the years, including several by Volkmar Klein, member of the budget committee of the German Parliament in Berlin.

Every summer since 2003, with the exception of 2014, the Germanna Foundation has sponsored an educational trip to Germany for its supporters. The groups visit the ancestral villages of the Germanna Colonies, near Siegen, in North Rhine Westphalia, and the Kraichgau area of Baden-Wuerttemberg, Germany.

2. Summary of Significant Accounting Policies:

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

Basis of Presentation: Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Germanna Foundation and changes therein are classified and reported as follows:

GERMANNA FOUNDATION

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued: Net assets without donor restrictions represents funds that impose no restrictions on the Germanna Foundation as to their use or purpose. Such funds are expended for charitable purposes as deemed appropriate by the Board of Trustees and for operating purposes.

Board-designated net assets without donor restrictions represents funds set aside by the Board of Trustees to be used as an operating reserve to meet cash flow needs and for other special purposes as approved by the Board of Trustees.

Net assets with donor restrictions are subject to donor-imposed stipulations that will be met either by actions of the Germanna Foundation and/or the passage of time. These net assets represent contributions and other income, which must be spent for the purpose designated by the donors. Expirations of temporary restrictions on net assets (i.e., donor-stipulated purpose has been fulfilled and/or stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Net assets with donor restrictions on contributions to acquire long-lived assets are considered met in the period in which the assets are acquired and placed into service.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Gains and losses in the present value of contributions receivable are included as contributions revenue or loss. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Cash Equivalents: For purposes of the statements of cash flows, the Germanna Foundation considers all highly liquid securities not included in the investment portfolio that were purchased with a maturity of three months or less to be cash equivalents.

Inventory: Inventory consists of books and merchandise held for sale. Inventory is accounted for at the lower of cost (as determined by the first-in, first-out (FIFO) method) or market.

Investments and Investment Income: The Germanna Foundation accounts for its investments at fair value (refer to Note 7).

GERMANNA FOUNDATION

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Credit Risk and Concentrations: Financial instruments that potentially subject the Germanna Foundation to concentrations of credit risk consist principally of cash and cash equivalents, pledge receivables, and investments. The Germanna Foundation maintains its cash and cash equivalents in a financial institution with balances that periodically exceed federally insured limits. The Germanna Foundation has not experienced any losses in such amounts and believes it is not exposed to any significant credit risk on cash and temporary cash investments.

Credit risk from pledge receivables is considered limited due to the nature of the Germanna Foundation's donors.

The Germanna Foundation invests in a professionally-managed mutual fund that contains stocks, bonds, a market neutral fund, and commodities. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

For the year ended December 31, 2019, two donors accounted for 79% of total support and revenue. For the year ended December 31, 2018, one donor accounted for 78% of total support and revenue.

Property and Equipment: Property and equipment are stated at cost, less accumulated depreciation. Major repairs and betterments are capitalized and normal maintenance and repairs are charged to expense as incurred. Depreciation is computed by the straight-line method over the estimated useful lives of the related assets, ranging from 5 to 39 years. Upon retirement or sale of an asset, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

Historical Properties: Historical properties donated to the Germanna Foundation are recorded at the fair value established by the donor at the date of the deed of gift. All subsequent restoration costs are capitalized and added to the cost of the historic property. Historic properties are not subject to provisions for depreciation. Improvements (such as modernized mechanical systems) and additions to historical properties are recorded as building improvements in property and equipment, and are subject to depreciation. Repairs and maintenance costs related to historical properties are expensed as incurred.

Collection Objects: In conformity with the practice followed by most museums, the Germanna Foundation's financial statements exclude the value of the collection objects and library holdings, and no determination has been made as to the aggregate value of such items. Purchases of collection items are recorded as decreases in net assets without donor restrictions or net assets with donor restrictions if the assets used to purchase collection items are restricted by the donor. Refer to Note 4 for a description of the collection objects and library holdings.

GERMANNA FOUNDATION

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Impairment or Disposal of Long-Lived Assets: Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. No impairments were identified during the years ended December 31, 2019 and 2018.

Deferred Revenue: Deferred revenue consists of advance payments related to multiple year memberships and security deposits for the annual trip to Germany.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and a functional and natural classification basis in the statements of functional expenses. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The following expenses are allocated based on time and effort: salaries, payroll taxes, printing and publications, ground and maintenance, website and internet, occupancy, depreciation, and other expenses.

Advertising: The Germanna Foundation expenses advertising costs as they are incurred.

Contributed Services: The Germanna Foundation receives services from volunteers for support of the Germanna Foundation's activities. The value of these services is not clearly measurable and is not recorded in the financial statements.

Use of Estimates: Management of the Germanna Foundation has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

Income Taxes: The Germanna Foundation received a favorable determination letter from the Internal Revenue Service in August 1958, stating that it is exempt from income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

GERMANNA FOUNDATION

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Income Tax Uncertainties: The Germanna Foundation has adopted financial reporting guidance related to accounting for uncertainty in income taxes, which clarifies the accounting for income taxes by prescribing the minimum recognition threshold that a tax position is required to meet before being recognized in the Germanna Foundation's financial statements. The guidance also provides criteria on derecognition, classification, interest and penalties, disclosure and transition.

The Germanna Foundation discloses the expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the facts and the Germanna Foundation's position, and records unrecognized tax benefits or liabilities for known, or anticipated tax issues based on the Germanna Foundation's analysis of whether additional taxes would be due to the authority given their full knowledge of the tax position. The Germanna Foundation has completed its assessment and determined that there are no tax positions which would require recognition. The Germanna Foundation is not currently under audit by any jurisdiction.

Reclassifications: Certain prior year balances have been reclassified to conform with the current year presentation.

Newly Adopted Accounting Standards: In June 2018, the FASB issued Accounting Standards Update ("ASU") 2018-08, "Not for Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made", which presents a new methodology for determining whether a grant or contribution received or made by a not-for-profit entity should be accounted for as an exchange transaction or as a contribution. The Germanna Foundation adopted the guidance in 2019. The adoption did not have a material impact on the financial statements.

In March 2019, FASB issued ASU 2019-03, *Not-for Profit Entities (Topic 958): Updating the Definition of Collections*. This ASU specifically addresses the use of proceeds from sales of collections and related disclosures. Previously, entities were not required to recognize contributions of works of art, historical treasures, and similar assets if the donated items were added to collections and met three conditions, including that the proceeds from any sale of such items could only be used to acquire additional items for collections. This criterion is expanded to allow for such proceeds to also be used for direct care of existing collections. The Germanna Foundation adopted the guidance in 2019. The adoption did not have a material impact on the financial statements.

GERMANNA FOUNDATION

Notes to Financial Statements, Continued

3. Investments:

Investments at December 31, 2019 are comprised of the following:

	Market	Cost
Vanguard Managed Payout Fund (VPGDX)	\$ 135,265	\$ 131,260
Vanguard Total Stock Market Index Fund Admiral Shares (VTSAX)	7,722	6,926
Vanguard Balance Index Fund Admiral Shares (VBIAX)	38,983	37,286
	\$ 181,970	\$ 175,472

Investments at December 31, 2018 are comprised of the following:

	Market	Cost
Cash and cash equivalents	\$ 317	\$ 317
Vanguard Managed Payout Fund (VPGDX)	116,690	102,557
	\$ 117,007	\$ 102,874

Investment returns for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Investment income	\$ 4,857	\$ 1,635
Unrealized gain (loss)	12,376	(16,259)
Realized gains	411	-
Return of capital	3,486	7,611
	\$ 21,130	\$ (7,013)

GERMANNA FOUNDATION

Notes to Financial Statements, Continued

3. Investments, Continued:

In 2019, the Germanna Foundation invested in the Vanguard Total Stock Market Index Fund Admiral Shares, a Vanguard mutual fund, ticker symbol VTSAX from donations received in connection with the time capsule that was placed inside the Hitt Archaeology Center. Prior to 2068, investment returns will be reinvested into VTSAX. Principal and interest will be released when the time capsule is opened in 2068. Once the principal and interest are released, it is the Germanna Foundation's long-term plan that it will be used to support operations and programs of the Germanna Foundation.

In 2019, the Germanna Foundation invested in the Vanguard Balance Index Fund Admiral Shares, a Vanguard mutual fund, ticker symbol VBIAX from donations received to fund expenses incurred by the Hitt Farm property. It is the Germanna Foundation's plan to use investment returns to support routine maintenance of the Hitt Farm property. Germanna Foundation may also reinvest the investment returns into VBIAX or use the investment returns and principal to fund future projects at the Hitt Farm property.

4. Collections:

The Germanna Foundation collects manuscripts, books, maps, newspapers, photographs, portraits, and other works of art, as well as artifacts from archaeological investigations that are related to Virginia and American history. The Germanna Foundation's collections are maintained for research, education, and public exhibition in furtherance of public service rather than for financial gain. Collections are the most valuable assets of the Germanna Foundation and are protected, kept unencumbered, cared for, preserved, and cataloged.

Intellectual as well as physical control of all collections is maintained by an extensive paper trail including provenance of origin; accession date; terms of gift or purchase price, whichever is applicable; physical description and condition report; location; and conservation record.

In conformity with American Association of Museum guidelines, collections are deaccessioned rarely and in close adherence to specific steps, culminating in approval from the Germanna Foundation's Board of Trustees. The sale of deaccessioned collection items is used to acquire new items for collections or for the care and maintenance of the collections.

The Germanna Foundation does not include either the cost or the value of its collections in the statements of financial position, nor does it recognize gifts of collection items as revenues in the statements of activities.

GERMANNA FOUNDATION

Notes to Financial Statements, Continued

5. Property and Equipment:

A summary of property and equipment at December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 623,256	\$ 623,256
Buildings and improvements	1,998,759	1,527,453
Furniture and equipment	<u>117,755</u>	<u>104,493</u>
Total	2,739,770	2,255,202
Less accumulated depreciation	<u>(668,167)</u>	<u>(613,117)</u>
Property and equipment, net	<u>\$ 2,071,603</u>	<u>\$ 1,642,085</u>

The Germanna Foundation recorded depreciation expense of \$55,051 and \$39,803 for the years ended December 31, 2019 and 2018, respectively.

At December 31, 2019 and 2018, \$471,307 and \$391,862, respectively, in construction-in-progress costs were capitalized towards the construction of the Hitt Archaeology Center and is included in buildings and improvements above.

6. Endowment Funds:

There is one endowment fund at the Germanna Foundation at and for the years ended December 31, 2019 and 2018 that is invested in the Vanguard Managed Payout Fund, a Vanguard mutual fund, ticker symbol VPGDX. The endowment fund includes funds designated by the Board of Trustees to function as an endowment. The investment returns from VPGDX are reinvested into VPGDX, but it is the Germanna Foundation's long-term plan that the annual investment returns will be used to support operations and programs of the Germanna Foundation. As required by GAAP, net assets associated with an endowment fund, including funds designated by the Board of Trustees to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

GERMANNA FOUNDATION

Notes to Financial Statements, Continued

6. Endowment Funds, Continued:

Principal Investment Strategy

At December 31, 2019 and 2018, VPGDX (the Fund) invests in eleven and nine underlying Vanguard mutual funds, respectively, and had a small stake at December 31, 2018 in commodity-linked investments according to an asset allocation strategy designed to provide shareholders with regular cash flow from investments in the Fund. The Fund targets an annual distribution rate of 4%. The Funds investment strategy is to generate regular monthly payments to investors while seeking to have these payments and the invested capital keep pace with inflation over the long term. The Fund's managed distribution policy is designed to provide level monthly payments throughout each year with payments adjusted each January based on the Fund's performance over the previous three years. The Fund may invest and allocate its assets across a broadly diversified selection of opportunities, such as stocks, bonds, cash, inflation-linked investments, and selected other investments that are expected to add diversification and results in a more consistent return pattern than a traditional balanced portfolio of stocks, bonds, and cash.

The Fund has twelve scheduled distributions each year which are made monthly, at mid-month. An additional distribution may be made in December, and other additional distributions may be made with respect to a particular fiscal year in order to comply with applicable law. The Fund is designed with the expectation that the twelve scheduled monthly distributions will be paid in cash, but that each additional distribution for a particular fiscal year will be automatically reinvested in additional Fund shares. The reinvestment of additional distributions is done to allow the Fund to achieve its investment objective. The Germanna Foundation's Board of Trustees has elected to reinvest all of the Funds distributions since inception in additional Fund shares and it is the Board of Trustees intent to continue to reinvest all distributions by the Fund during 2020.

Principal Risks

The Fund's investment strategies are intended to create a moderate level of risk for the Fund. An investment in the Fund, however, could lose money over short, intermediate, or even long periods of time because the Fund allocates its assets worldwide across different asset classes and investments with specific risk and return characteristics.

GERMANNA FOUNDATION

Notes to Financial Statements, Continued

6. Endowment Funds, Continued:

Endowment net asset composition included \$135,265 and \$117,007 of board-designated funds as of December 31, 2019 and 2018, respectively.

Changes in endowment net assets were as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Net assets, beginning of year	\$ 117,007	\$ 124,020
Investments gain (loss), net	<u>18,258</u>	<u>(7,013)</u>
Net assets, end of year	<u>\$ 135,265</u>	<u>\$ 117,007</u>

7. Fair Value Measurements:

The FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

This guidance provides a framework for measuring fair value under GAAP and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

Level 3 Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement.

GERMANNA FOUNDATION

Notes to Financial Statements, Continued

7. Fair Value Measurements, Continued:

Mutual funds: Valued at the net asset value (NAV) of shares held by the Germanna Foundation at year end.

Assets measured at fair value on a recurring basis of \$181,970 at December 31, 2019 and \$117,007 at December 31, 2018 were valued using Level 1 criteria.

The Germanna Foundation did not have any liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018.

8. Net Assets With Donor Restrictions:

Net assets with donor restrictions include the following at December 31:

	<u>2019</u>	<u>2018</u>
Salubria	\$ -	\$ 797
Fort Germanna	100,000	2,633
Hitt Farm	344,378	51,456
Hitt Archaeology Center	-	674,415
Other (including time restrictions)	<u>70,892</u>	<u>42,018</u>
	<u>\$ 515,270</u>	<u>\$ 771,319</u>

At December 31, 2018, Hitt Archaeology Center includes cash and cash equivalents of \$282,553 and construction in progress of \$391,862. These amounts were released when the Hitt Archaeology Center was placed into service in 2019.

Net assets released from restriction were the result of expenses incurred in satisfying the restricted purposes of contributions during 2019 and 2018.

GERMANNA FOUNDATION

Notes to Financial Statements, Continued

9. Commitments and Contingencies:

In connection with the construction of the Hitt Archaeology Center, the Germanna Foundation entered into a contract with a contractor on July 18, 2018 for \$720,000, subject to additions and deductions as provided in the contract agreement. Payments to the contractor were paid based on the percentage of completion in accordance with the contract agreement. As of December 31, 2019, there are no further payments required to be made to the contractor as the construction of the Hitt Archaeology Center was completed and placed into service in 2019.

In connection with Germanna Foundation's acquisition of the 62.2 acre tract of land situated in the Gordon District of Orange County, Virginia (the "Fort Germanna Property") from the UMW, Germanna Foundation entered into a cooperative agreement on October 3, 2013 with the Commonwealth of Virginia through the Rector and Visitors of UMW to explore, research, excavate and interpret the historic and archaeological potential of the Fort Germanna Property. The Germanna Foundation agreed to account for the costs incurred to preserve, explore, excavate and interpret the Fort Germanna Property. In accordance with the agreement, when the total of such expenditures equals or exceed \$575,200, the Germanna Foundation will have the right to seek termination of the reverter clause in the agreement (see Note 11). At December 31, 2019, Germanna Foundation had incurred total expenditures of \$1,396,409 to preserve, explore, excavate and interpret the Fort Germanna Property.

The Germanna Foundation entered into a contract with a contractor on September 11, 2018 to perform agreed upon procedures in working with the Board of Trustees and staff to develop and give direction and leadership to the formulation and achievement of the Foundation's strategic goals, mission, and annual objectives, as well as to cultivate additional revenue sources. This contract continues unless otherwise extended by mutual agreement. At any time, either party may terminate this contract upon thirty days advance notice. The contract includes a total package price not to exceed \$50,000 annually and will be paid in monthly installments of \$4,000. As of December 31, 2019, \$33,980 is still available to be paid through August 31, 2020.

GERMANNA FOUNDATION

Notes to Financial Statements, Continued

10. Liquidity and Availability of Financial Assets:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date comprise the following:

	2019	2018
Cash and cash equivalents	\$ 921,143	\$ 896,520
Investments	181,970	117,007
Total financial assets available within one year	1,103,113	1,013,527
Net assets with donor restrictions - cash and cash equivalents	(476,287)	(379,457)
Net assets with donor restrictions - other	(38,983)	-
Net assets without donor restrictions - board-designated	(142,987)	(117,007)
Total financial assets available within one year after net assets with donor restrictions	\$ 444,856	\$ 517,063

As part of the Germanna Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures become due. The Germanna Foundation takes a conservative approach to liquidity management in order to ensure funding availability to meet its needs. Additionally, the Germanna Foundation has board-designated net assets without donor restrictions that are held as an operating reserve.

11. Subsequent Events:

Management has evaluated subsequent events through June 19, 2020, the date the financial statements were available to be issued, and other than as described below, there are no additional subsequent events to be recognized or disclosed in the accompanying financial statements.

In March 2020, COVID-19 was declared a worldwide health pandemic and has had a significant impact on the national and global economy. The ultimate impact of COVID-19 on the Germanna Foundation's financial statements is unknown at this time.

On May 4, 2020, the Germanna Foundation received \$56,250 in CARES act funding from the SBA Payroll Protection Program. These funds are being used to offset staff salaries and organizational utilities through June 28, 2020. Once these funds are expended, the Germanna Foundation will ask for loan forgiveness, which is part of the CARES Act. The Germanna Foundation fully expects to expend all funds in the appropriate manner and to receive loan forgiveness.

GERMANNA FOUNDATION

Notes to Financial Statements, Continued

11. Subsequent Events, Continued:

On May 13, 2020, the Germanna Foundation received notice of grant funding through the Virginia Humanities/National Endowment for the Humanities (part of the CARES Act) in the sum of \$7,500. These grant funds are to be used to increase the Germanna Foundation's ability to present online/webinar programming, fund utilities outside the 8-week coverage of the SBA Payroll Protection Program and ground maintenance for the Germanna Foundation properties. By December 31, 2020, the Germanna Foundation must report back to Virginia Humanities/National Endowment for the Humanities how these funds were expended. The Germanna Foundation expects to expend these funds as outlined in the grant application.

On June 10, 2020, the Germanna Foundation received notice from UMW that the request from the Germanna Foundation to terminate the reverter clause in the cooperative agreement dated October 3, 2013 with the Commonwealth of Virginia through the Rector and Visitors of UMW had been approved (see Note 9).